education

Department of Education
FREE STATE PROVINCE

PREPARATORY EXAMINATION

GRADE 12

ECONOMICS P2

SEPTEMBER 2025

MARKS: 150

MARKING GUIDELINE

This marking guideline consists of 20 pages.

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 A oligopoly ✓✓
1.1.2 C sin ✓✓
1.1.3 B kinked ✓✓
1.1.4 D natural monopoly ✓✓
1.1.5 C deflation ✓✓
1.1.6 A hyperinflation ✓✓
1.1.7 B business ✓✓
1.1.8 D transit ✓✓

(8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 H are so beneficial to society that every individual should consume them irrespective of their income ✓
1.2.2 F an increase in the production costs due to inefficient production in the short run ✓
1.2.3 E situation where one firm fixes the price and the others accept it as the market price ✓
1.2.4 I gain a consumer gets from the use of the good or service ✓
1.2.5 B the process where trees and forests are removed from the land and not replaced ✓
1.2.6 A South African citizens travelling abroad ✓
1.2.7 G statistic that measures the price of a fixed basket of consumer goods and services ✓
1.2.8 C interest that the reserve bank charges when it lends money to a commercial bank ✓

(8 x 1) (8)

1.3 CONCEPTS

1.3.1 Price maker/setter ✓
1.3.2 Collusion ✓
1.3.3 Minimum wage ✓
1.3.4 Indigenous Knowledge System ✓
1.3.5 Core inflation ✓
1.3.6 Tourism ✓

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer TWO of the three questions from this section in the ANSWER BOOK.

QUESTION 2

2.1 2.1.1 **Name TWO costs that form social costs.**

- Private cost ✓
- External costs ✓ (Any 2 x 1) (2)

2.1.2 **Why are allocative and technical efficiency important for the economy?**

Allocative and technical efficiency ensures that goods are given to consumers in the desired quantities and produced at the lowest cost. ✓✓
(Accept any other correct relevant response) (1 x 2) (2)

2.2 **Data Response**

2.2.1 **Identify the maximum price from the above graph.**

R70 ✓ (1)

2.2.2 **Name any product where a maximum price is set.**

Basic foods, ✓ housing ✓ and transport ✓
(Accept any other correct relevant response) (Any 1 x 1) (1)

2.2.3 **Briefly describe the term *implicit cost.***

The cost owned by the entrepreneur, that can be hired or purchased. ✓✓
(Accept any other correct relevant response) (2)

2.2.4 **Why does the government provide production subsidies?**

To ensure that production costs are reduced and encourage more output by the producer. ✓✓
(Accept any other correct relevant response) (1 x 2) (2)

2.2.5 **What are the positive effects of implementing a minimum wage in the economy?**

- Employees are paid well and they enjoy mental and physical health. ✓✓
- The quantity of labour supplied increases. ✓✓
- Employers benefit from having happier workers because performance improves. ✓✓
- It reduces poverty and improves the standard of living. ✓✓ (4)

(Accept any other correct relevant response) (Any 2 x 2)

2.3 **Data Response**

2.3.1 **Identify the market structure that is represented by the above characteristics.**

Monopoly ✓ (1)

2.3.2 **Name ONE parastatal that you know in South Africa.**

Eskom ✓/Denel ✓/Transnet ✓
(Accept any other correct relevant response) (Any 1 x 1) (1)

2.3.3 **Briefly describe the term *industry*.**

An industry is a group of businesses that sell the same products. ✓✓
(Accept any other correct relevant response) (2)

2.3.4 **What is the impact of price fixing on the market?**

Price fixing results in reduced quantity of goods available, limited competition and higher prices. ✓✓
(Accept any other correct relevant response) (2)

2.3.5 **Use the information from the diagram above to determine whether the firm is making a profit/loss per unit. Show ALL calculations.**

Profit/Loss = AR – AC x Q ✓

= R500 – R150

=R350 x 10 ✓

= R3 500 ✓

= Economic Profit ✓ (4)

2.4 **Discuss the reasons for the cost-benefit analysis.**

- The cost-benefit analysis provides us with a tool to use in the decision-making process. ✓✓
- It provides greater objectivity when government or businesses consider new projects or investments.✓✓
- The CBA determines whether a project will benefit the country as a whole or not.✓✓
- The CBA evaluates the feasibility of different projects to determine which project will be the best investment.✓✓
- The CBA helps with the efficiency in resource allocation ✓✓
- The CBA is done by identifying the costs and benefits to make informed decisions. ✓✓

(Accept any other correct relevant response) (4 x 2) (8)
(Allocate a **maximum of 4 marks** for a mere listing of facts/examples)

2.5 **How do restaurants maintain or increase their market share?**

- Restaurants will implement a non-price strategy to attract more customers. ✓✓
- Restaurants practice product differentiation when each produces a product that is slightly different from the product produced by the other restaurant. ✓✓
- They also use advertising as it plays a crucial role in non-price competition. They advertise their products heavily on television, radio and social media platforms to promote the firm's product and to establish or promote brand loyalty. ✓✓
- Packaging also plays a very big role in non-price competition, and consumers might be impressed with a product that is in more attractive packaging. ✓✓
- Some restaurants do door-to-door delivery from 08:00 to 19:00. ✓✓
- Food can be ordered online or via cellphone apps. ✓✓
- Food can be bought through the Drive-thru for businesses such as McDonalds, KFC. ✓✓
- Other restaurants use self-ordering kiosks in store for convenience and to avoid longer lines. ✓✓

(Accept any other relevant correct response) (8)
(Allocate a **maximum of 2 marks** for mere listing of facts/ examples)

[40]

QUESTION 3

3.1 3.1.1 **Name any TWO monetary measures that can be used to combat inflation.**

- Decrease the money supply ✓
- Increasing the repo rate ✓
- Increasing the bank's cash reserve requirement ✓
  (Accept any other relevant correct response) (Any 2 x 1) (2)

3.1.2 **How does tourism affect poverty in rural areas?**

Tourism alleviates (eases) poverty in rural areas as tourist developments increase the number of jobs available. ✓✓
(Accept any other relevant correct response) (1 x 2) (2)

3.2 3.2.1 **Identify the inflation target in the extract above.**

3 – 6 % ✓ (1)

3.2.2 **Name ONE cause of cost-push inflation.**

Wage increases/Increase in prices of key inputs/Exchange rate depreciation/Increased profit margins/Natural disasters ✓
(Accept any other relevant correct response) (1)

3.2.3 **Briefly describe the term *exchange rate*.**

The exchange rate is the price of one country's currency in terms of the price of another country's currency. ✓✓
(Accept any other relevant correct response) (2)

3.2.4 **How do expectations of inflation contribute to actual inflation?**

Inflation expectation propagates the continuation of inflation/ Expectations that wages will rise encouraging some businesses to increase prices in advance. ✓✓
(Accept any other relevant correct response) (1 x 2) (2)

3.2.5 **Why are low-income earners more adversely affected by inflation than their wealthier counterparts?**

- Low-income earners are adversely affected by inflation because they spend a large percentage of their income on necessities, ✓✓ when the prices of necessities increase they may not be able to purchase all of them. ✓✓
- Those who live on a fixed income are more affected because when the cost of living increases their income does not increase, which in effect, makes them poorer. ✓✓

(Accept any other relevant correct response) (4)

3.3 3.3.1 **Identify any heritage site from the pictures above.**

Robben Island ✓ (1)

3.3.2 **Name ONE benefit of tourism to the government.**

- Tourism contributes to the government's revenue through levies on tourists. ✓
- Tourism assists the government in recovering its external costs for infrastructure improvements. ✓

(Accept any other relevant correct response) (Any 1) (1)

3.3.3 **Briefly describe the term *gross domestic product.***

Gross domestic product is the total value of final goods and services produced within the borders of a country in a given period. ✓✓
(Accept any other relevant correct response) (2)

3.3.4 **What is the impact of an increase in crime in our country on tourism?**

An increase in crime will lead to a decrease in the number of people visiting our country. ✓✓
(Accept any other relevant correct response) (2)

3.3.5 **How do households benefit from tourism?**

The households:

- Earn salaries and wages because of additional job opportunities ✓✓
- Benefit from the infrastructure that is built for tourists because they get to use it as well ✓✓
- Acquire skills because there are a variety of skills that are required in the tourism industry ✓✓
- Who are entrepreneurs who operate as curio producers, musicians, interpreters and tour guides also earn income from tourism ✓✓

(Accept any other correct relevant response) (Any 2 x 2) (4)

3.4 **Discuss debtors and taxpayers as consequences of inflation.**

DEBTORS

- Debtors (borrowers) receive money with a high buying power and pay it back with money with a lower buying power. ✓✓
- Borrowers benefit from price increases because they repay with money that has a low purchasing power. ✓✓
- During periods of rising prices, debtors gain in real terms because the contract was signed in advance and cannot be changed. ✓✓

(Accept any other correct relevant response) **(Max 4)**

TAXPAYERS

- With inflation taxpayers' nominal income rises although their real income remains unchanged because taxes are levied on the nominal income but not on real income, and this affects the purchasing power of taxpayers. ✓✓
- When the income tax brackets remain unchanged, inflation increases the average rate of personal income tax. ✓✓
- Individuals will have to pay higher taxes even if they are actually no better off than before – bracket creep leads to a redistribution of income from taxpayers to the government. ✓✓

(Accept any other correct relevant response) **(Max 4)** (8)

(Allocate a **maximum of 4 marks** for a mere listing of facts/examples)

3.5 **Evaluate externalities as an effect of tourism.**

Externality has a positive effect on tourism because:

- Tourism attracts large amounts of revenue when the tourists buy food, clothes, etc. while they are visiting and travelling ✓✓
- Tourism leads to an improvement in infrastructure development when the renovations are done on roads, and accommodation ✓✓
- Tourism can stimulate employment indirectly as people are employed as tour guides and cleaners in hotels, etc. ✓✓
- Tourism also conserves cultural and natural assets as those areas are kept safe and people are employed to keep the place intact and this alleviates poverty ✓✓

Externality has a negative effect on tourism because:

- Tourism can cause environmental damage if not managed correctly, especially if the areas that are constantly visited are not taken care of ✓✓
- Tourism can result in a lot of waste and damage to sensitive tourist sites ✓✓
- The infrastructure at tourist sites can come under pressure to cater for increased tourist numbers ✓✓
- Tourism can lead to increased prices for locals as the market is for both visitors and the locals ✓✓

(Accept any other correct relevant response) (8)

(Allocate a **maximum of 2 marks** for mere listing of facts/examples)

[40]

QUESTION 4

4.1 4.1.1 **Name any TWO reasons for the growth of tourism.**

- Increased disposable income ✓
- Less working hours, so more time to travel ✓
- An awareness of leisure and recreation ✓
  (Accept any correct relevant response) (Any 2 x 1) (2)

4.1.2 **Why is there a need for anti-competitive policies?**

Anti-competitive policies are needed because:

- Sellers collude to raise prices by restricting production ✓✓
- Collusion disadvantages consumers because they cannot afford higher prices or they will afford fewer products at higher prices ✓✓
- They prevent restrictive practices, especially price-fixing ✓✓
- They improve the efficiency of markets ✓✓
  (Accept any correct relevant response) (Any 1 x 2) (2)

4.2 4.2.1 **Identify a public broadcaster in South Africa.**

SABC ✓ (1)

4.2.2 **Name a characteristic of public goods that is depicted by the cartoon above.**

Non-excludability ✓ (1)

4.2.3 **Briefly describe the term public goods.**

Public goods are goods that the free market does not provide because they have non-rivalry/Goods and services provided by the state for use by all the members of a society. ✓✓
(Accept any correct relevant response) (2)

4.2.4 **Why is the immobility of factors of production a cause of market failure?**

When labour, entrepreneurship and capital as factors of production cannot move to where they are needed or at the time they are needed, that causes the market to fail. ✓✓
(Accept any correct relevant response) (1 x 2) (2)

4.2.5 **Which measures does the government take to promote the availability of information to consumers and producers?**

- Government makes businesses supply certain information on the packaging of their products, ✓✓for example, food supplement producers must state the nutritional information of the supplements they make. ✓
- The SABS tests and provides information about the quality of products. ✓✓
- The DTI provides information and assistance to broaden the participation of all in the economy. ✓✓
- The DTI also offers finance and loans to help private entrepreneurs set up businesses. ✓✓
- Fund market research on foreign markets for potential exporters. ✓✓

(Accept any correct relevant response) (Any 2 x 2) (4)

4.3 4.3.1 **Identify the base year from the table above.**

2020 ✓ (1)

4.3.2 **Which South African institution provides inflation statistics.**

(1)

South African Reserve Bank (SARB)/Statistics SA (SSA) ✓

4.3.3 **Briefly describe the term *administered prices*.**

Administered prices are the prices controlled by the government ✓ through appointed authorities. ✓
(Accept any other correct relevant response) (Any 1 x 2) (2)

4.3.4 **Why is it necessary to assign weights to different expenditure items?**

- To make sure that the impact on purchasing power is measured correctly. ✓✓
- To show the importance of different items in the basket. ✓✓

(Accept any other correct relevant response) (Any 1 x 2) (2)

4.3.5 **Calculate the inflation rate for 2023 (A). Show ALL calculations.**

The inflation rate is:

$$= \frac{CPI_{2023} - CPI_{2022}}{CPI_{2022}} ✓ \times \frac{100}{1} ✓ \text{ (formula)}$$

$$= \frac{117,3 - 111,7}{111,7} ✓ \times \frac{100}{1} = 5,0 ✓$$

(Accept any other correct relevant response) (4)

4.4 **Briefly discuss market entry and nature of products as characteristics of oligopoly.**

MARKET ENTRY

- Entry is not easy in an oligopolistic market, it varies from free to restricted/Entry into the market is limited. ✓✓
- This is due to brand loyalty and it also required a large capital outlay. ✓✓
- New sellers have difficulty entering the market because of barriers such as the economies of scale that the few large existing oligopolies enjoy. ✓✓

(Accept any other correct relevant response) **(Max 4)**

NATURE OF PRODUCTS

- The product can be homogenous ✓✓ (exactly the same, such as petrol) ✓ or
- The product can be differentiated ✓✓ (slightly different such as motor cars) ✓

(Accept any other correct relevant response) **(Max 4)** (8)
(Allocate a **maximum of 4 marks** for mere listing of facts)

4.5 **How has the marketing of tourism activities changed in recent years?**

- Technology such as the internet and television travel shows may be an important factor that contributes to an increase in tourism activities. ✓✓
- Technology also makes it easier for tourists to manage their own travel plans and to do research on different destinations. ✓✓
- The internet is definitely the most effective marketing tool available in the tourism industry – countries and regions should be aware of this and have a marketing strategy to encourage tourism. ✓✓
- Technology makes it easy for smaller entrepreneurs to be able to market their businesses internationally. ✓✓
- Digital marketing services are recently tailored to the tourism hospitality industry. ✓✓
- Niche marketing (targeting specific groups of customers based on their interests and needs) has also gained popularity in the tourism industry. ✓✓

(Accept any other correct relevant response) (Any 4 x 2) (8)
(Allocate a **maximum of 2 marks** for mere listing of facts)

[40]

TOTAL SECTION B: 80

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.

QUESTION 5

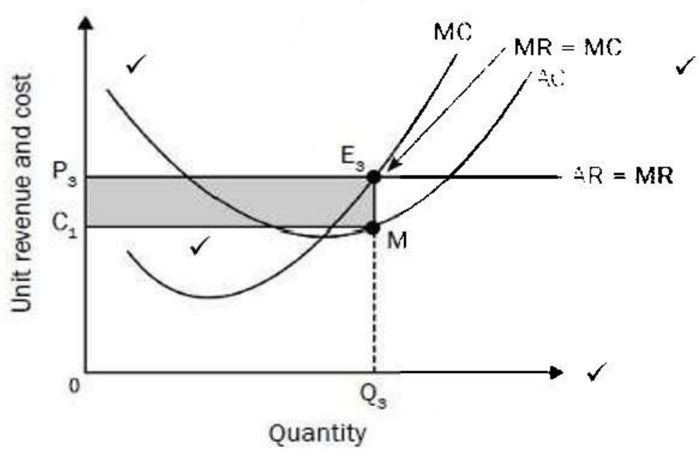
- **Discuss in detail the various equilibrium positions of the perfect competitors in the short run with the aid of graphs (26 marks)**

INTRODUCTION

Perfect competition occurs in a market structure with a large number of participants who have access to all the required information about the marketplace and are all price-takers. ✓✓
(Accept any other correct relevant response) **(Max. 2)**

BODY: MAIN PART

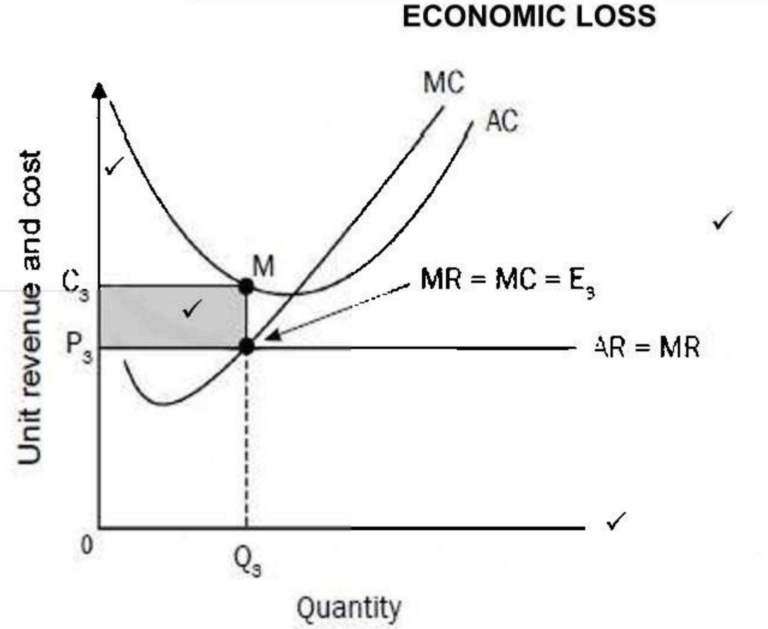
ECONOMIC PROFIT



(4)

- Correct positioning and labelling of cost and revenue curves = 1 mark
- Correct labelling of axis = 1 mark
- Correct labelling on axis = 1 mark
- Indication of profit= 1 mark **Max 4 marks**

- Economic profit occurs when average revenue is greater than average cost/When total revenue is greater than total costs ✓✓
- The firm produces at E_3, profit is maximised where MR = MC ✓✓
- Total revenue is $P_3 \times Q_3$ – Total cost $C_1 \times Q_3$ ✓✓
- The firm makes economic profit which is represented by the light grey shaded area $C_1P_3E_3M$ ✓✓
- Any correct calculation if the candidate provided figures ✓✓

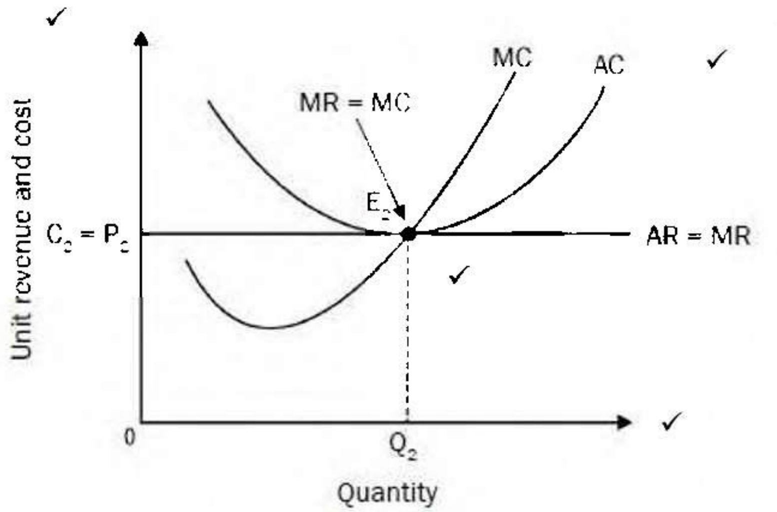


(4)

• Correct positioning and labelling of cost and revenue curves = 1 mark • Correct labelling of axis = 1 mark • Correct labelling on axis = 1 mark • Indication of loss= 1 mark **Max 4 marks**

- Economic loss occurs when total costs are greater than total revenue/when average cost is greater than average revenue ✓✓
- The firm produces at E_3, loss is minimised where MR = MC ✓✓
- Total revenue is P_3 x Q_3 – Total cost C_3 x Q_3 ✓✓
- The firm makes an economic loss which is represented by the light grey shaded area $P_3C_3ME_3$ ✓✓
- Any correct calculation if the candidate provided figures ✓✓

NORMAL PROFIT



(4)

•	Correct positioning and labelling of cost and revenue curves = 1 mark
•	Correct labelling of axis = 1 mark
•	Correct labelling on axis = 1 mark
•	Indication of normal profit= 1 mark **Max 4 marks**

- Normal profit is the minimum earnings required to prevent the firm from leaving the industry ✓✓
- The firm produces at point E_2, where MR = MC and Q_2 units are produced at a price of P_2 ✓✓
- The firm makes normal profit/break-even because average revenue is equal to the average cost ✓✓
- The firm makes normal profit of TR (P x Q) – TC (AC x Q) or AR – AC = x Q
  Any correct calculation if the candidate provided figures ✓✓
  (A **maximum of 8 marks** may be allocated for mere listing of facts/examples/headings/sub-headings) **(Max. 26)**

BODY: ADDITIONAL PART

- **Evaluate the impact of competition policy on the South African economy. (10 marks)**

The positive impact of competition policy is that it:

- Makes provision for institutions like the Competition Commission, Competition Tribunal and Appeal Court to investigate any unfair competition in the country ✓✓
- Functions as an investigator and evaluator of restrictive business practices✓✓
- Makes recommendations about penalties for businesses found guilty of abuse✓✓
- Implemented the Competition Tribunal that accepts or rejects investigations and recommendations of the Competition Commission and confirms the penalties imposed ✓✓
- Makes it possible for businesses to appeal against a penalty imposed by the Competition Tribunal at the Competition Appeal Court ✓✓
- Curbs the economic power of big conglomerates to arrive at a more equitable distribution of income and wealth ✓✓
- Regulates mergers and takeovers to regulate the market power of mergers ✓✓
  (Accept practical examples where Competition policy has succeeded)
  (Accept any other correct relevant response)

The negative impact of competition policy is that:

- The challenge is related to the frequency of investigations into collusive behaviour ✓✓ e.g. cement/steel/bread/bank industries ✓
- Fines were too lenient and not acceptable to some parties ✓✓
- Too many competitors still preventing affirmative action/young black industrialists from entering the market (BEE) ✓✓
  (Accept practical examples where Competition policy has not succeeded)
  (Accept any other correct relevant response)
  (Allocate a **maximum of 2 marks** for mere listing of facts) **(Max 10)**

CONCLUSION

Businesses under perfect competition can only realise normal profits in the long run due to the number of businesses entering the market to share in the profits being made in the short run. ✓✓
(Accept any other correct relevant high-order conclusion) **(Max. 2)**
[40]

QUESTION 6

- **Discuss in detail the FIVE environmental problems and the international measures taken to ensure sustainable development (26 marks)**

INTRODUCTION

Environmental sustainability relates to the ability of the environment to survive its use for economic activity. ✓✓
(Accept any other correct relevant introduction) **(Max. 2)**

BODY: MAIN PART

1. **BIODIVERSITY LOSS** ✓

- If species become extinct (die out completely), this cannot be reversed. ✓✓
- Modern techniques such as gene transplants can limit the loss of species. ✓✓
- The **Convention on International Trade in Endangered Species** (CITES) sets many policies to deal with species loss. ✓✓
- Is concerned with the genetic variety among individuals within the same species and the number of species within a community of organisms. ✓✓
- The diversity of species in the world decreases rapidly due to extinction and extinction is an irreversible process. ✓✓
- Monitoring and regulation of trade in endangered species is carried out using permits and quotas. ✓✓
- In South Africa, a permit is needed to import plants and animals. ✓✓

2. **CHEMICAL WASTE** ✓

- Chemical waste is toxic (it has a negative effect on living beings and can cause infertility or death). ✓✓
- Chemical waste needs to be carefully managed to ensure it does not seep into the groundwater. ✓✓
- The **Stockholm Protocol** is a United Nations agreement to limit chemical waste. ✓✓
- The **Rotterdam Convention** protects countries that lack adequate infrastructure to monitor the import and export of dangerous chemicals. ✓✓

3. **HAZARDOUS WASTE** ✓

- Hazardous waste is highly toxic. ✓✓ It has a slow decomposition rate (it stays poisonous for a very long time). ✓✓
- The most hazardous (dangerous) waste is radioactive waste from nuclear power. ✓✓
- Hazardous waste is dumped illegally because it is convenient and cheap. ✓✓
- Hazardous waste can endanger all life forms and entire ecosystems. ✓✓
- The **Basel Convention** is an international agreement to manage nuclear waste. ✓✓ South Africa is a signatory to the agreement. ✓✓

4. **CLIMATE CHANGE** ✓

- Global warming primarily causes climate change ✓✓
- Climate change can be reversed through widespread international cooperation, e.g. sharing weather information and weather patterns; agreeing to limit pollution; and banning chemical products such as greenhouse gases that damage the ozone layer. ✓✓
- The **Kyoto Protocol** of 1997 is an international agreement to limit the production of greenhouse gases because the voluntary reduction of carbon dioxide levels did not succeed. ✓✓
- The **United Nations Framework Convention on Climate Change (UNFCCCC)** sets objectives to reduce greenhouse gases. ✓✓
- A build-up of certain gases such as carbon dioxide in the atmosphere causes the heat to be captured into the atmosphere, which leads to global warming. ✓✓
- Effects of climate change include changes in temperature and weather patterns. ✓✓

5. **LOSS OF INDIGENOUS KNOWLEDGE** ✓

- Indigenous people have a lot of knowledge about the natural environment which they use to make a living. ✓✓
- Indigenous people traditionally used organic methods and natural processes. ✓✓
- As indigenous people lose their habitats or are urbanised, this knowledge is disappearing and is being lost to the world forever. ✓✓
- Local capacity-building is very important for the environmental sustainability of indigenous people, i.e. finding a way for them to earn a living in their traditional environment. ✓✓
- **UNESCO's** Management of Social Transformation Programme (MOST) is a global effort to document local/Indigenous knowledge before it is lost forever. ✓✓

Note: Problems – Max 18 + Measures – Max 8 marks)
(Accept any other correct relevant response)
(A **maximum of 8 marks** may be allocated for mere listing of facts/examples/headings/sub-headings) **(Max. 26)**

BODY: ADDITIONAL PART

- **Evaluate the government intervention measures to ensure the sustainability of the environment. (10 marks)**

The government has successfully intervened in the economy to achieve social efficiency by:

- Granting property rights to prevent fauna and flora species from becoming extinct ✓✓
- Charging for the use of the environment by letting the citizens pay fees for waste produced and dumped in the environment ✓✓
- Imposing environmental taxes on the output of goods that generate external environmental costs (pollution) ✓✓
- Granting environmental subsidies to businesses to reduce environmental damage
- Giving each business a licence to pollute to a certain degree ✓✓

The government has not succeeded in intervening in the economy because:

- They failed to grant property rights to people to preserve the flora and fauna and the common goods such as clean air ✓✓
- They failed to keep the environment clean by collecting money from the citizens who dumped in the environment ✓✓
  (Accept any other relevant answer) **(Max. 10)**
  (A **maximum of 2 marks** may be allocated for mere listing of facts/examples)

CONCLUSION

The success in protecting the environment will take a united effort from consumers, businesses and governments. ✓✓
(Accept any other correct relevant high-order conclusion) **(Max. 2)**
[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150